

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613018
<015>	Study Area Name	NUSHAGAK ELEC & TEL
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Robert Himschoot
<035>	Contact Telephone Number: Number of the person identified in data line <030>	9078425251 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	rhimschoot@nushagak.coop
	Form Type	54.313 and 54.422

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Page 1
06/21/2017

<010>	Study Area Code	613018
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No

Page 2

**(300) Unfulfilled Service Request
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<300> Unfulfilled service request (voice)

0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

0

<330> Detail on attempts (broadband)

Name of Attached Document

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<035>	Contact Telephone Number - Number of person identified in data line <030>	9078425251 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	rhimschoot@nushagak.coop
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed voice	
<410>	Complaints per 1000 customers for fixed voice	0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed broadband	
<440>	Complaints per 1000 customers for fixed broadband	0 . 0
<450>	Complaints per 1000 customers for mobile broadband	

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rhimschoot@nushagak.coop
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
613018ak510.pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rhimschoot@nushagak.coop
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	613018ak610 .pdf

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[illegible]

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<810>	Reporting Carrier	Nushagak Electric & Telephone Cooperative, Inc.
<811>	Holding Company	Not Applicable
<812>	Operating Company	Nushagak Electric & Telephone Cooperative, Inc.

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<900> Does the filing entity offer tribal land services? (Y/N) Yes

<910> Tribal Land(s) on which ETC Serves

Dillingham
Aleknagik
Manokotak
Ekuik
Clarks Point
Portage Creek

<920> Tribal Government Engagement Obligation

613018ak920.pdf

<921>

- <922> Feasibility and sustainability planning;
 <923> Marketing services in a culturally sensitive manner;
 <924> Compliance with Rights of way processes
 <925> Compliance with Land Use permitting requirements
 <926> Compliance with Facilities Siting rules
 <927> Compliance with Environmental Review processes
 <928> Compliance with Cultural Preservation review processes
 <929> Compliance with Tribal Business and Licensing requirements.

Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rhimschoot@nushagak.coop

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 613018ak1010.pdf

Name of Attached Document

<1020> Broadband comparability certification Not Applicable

<1030> Attach detailed description for broadband comparability compliance

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481

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<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130>

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(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

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613018ak1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

<1220> Link to Public Website

HTTP

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,



<1222> Details on the number of minutes provided as part of the plan,



<1223> Additional charges for toll calls, and rates for each such plan.



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Page 13
 06/21/2017

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing
Required Information

Name of Attached Document Listing
Required Information

REDACTED -- FOR PUBLIC INSPECTION

(2005) Price Cap Carrier Additional Documentation**Data Collection Form***Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)		
		Yes - Attach Certification	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}	613018ak3010B.pdf	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	613018ak3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)

FCC Form 481

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OMB Control No. 3060-0986/OMB Control No. 3060-0819

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Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

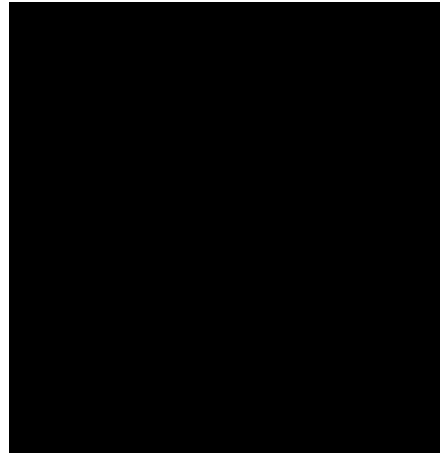
(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends



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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.	Name of Attached Document Listing Required Information	_____
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Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.	Name of Attached Document Listing Required Information	_____
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4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.	Name of Attached Document Listing Required Information	_____
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**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Aldrich CPAs and Advisors, LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Aldrich CPAs and Advisors, LLP
Name of Reporting Carrier:	NUSHAGAK ELEC & TEL
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 06/19/2017
Printed name of Authorized Officer:	Robert Himschoot
Title or position of Authorized Officer:	CEO/GM
Telephone number of Authorized Officer:	9078435251 ext.
Study Area Code of Reporting Carrier:	613018 Filing Due Date for this form: 07/03/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	NUSHAGAK ELEC & TEL
Name of Authorized Agent Firm:	Aldrich CPAs and Advisors, LLP
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 06/19/2017
Name of Authorized Agent Employee:	Amber Miller
Title or position of Authorized Agent or Employee of Agent	Senior Associate
Telephone number of Authorized Agent or Employee of Agent:	9705222170 ext.
Study Area Code of Reporting Carrier:	613018 Filing Due Date for this form: 07/03/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

(700) Price Offerings including Voice Rate Data Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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July 2013

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010> Study Area Code 613018

<015>	Study Area Name	NUSHAGAK ELEC & TEL
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<020>	Program Year	2018
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<030>	Contact Name - Person USAC should contact regarding this data	Robert Himschoot
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<035>	Contact Telephone Number - Number of person identified in data line <030>	9078425251 ext.
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<039>	Contact Email Address - Email Address of person identified in data line <030>	rhimschoot@nushagak.coop
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[illegible]



Solutions for the Future

Nushagak Electric & Telephone Cooperative, Inc.
557 Kenny Wren Road • P.O. Box 350 • Dillingham, AK 99576
Ph: 907-842-5251 • Fx: 907-842-2799 • www.nushtel.com

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Re: WC Docket Nos. 10-90 and 11-42, Annual 47 C.F.R. § 54.313(a)(5) and § 54.422 Certification via Form 481, Line No. 510

Dear Ms. Dortch:

Please accept this letter as certification that **Nushagak Electric & Telephone Cooperative, Inc.** makes all reasonable efforts to comply with applicable service quality standards as stated in Alaska Administrative Code 3 AAC 53.700 State Telecommunications Modernization Plan and consumer protection rules as defined in 47 C.F.R. Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft.

Nushagak Electric & Telephone Cooperative, Inc. adheres to Consumer Protection by complying with the requirements of 47 C.F.R. Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Nushagak Electric & Telephone Cooperative, Inc. also adheres to Service Quality Standards by complying with the service standards of the State of Alaska as promulgated in the Alaska Administrative Code 3 AAC 53.700 State Telecommunications Modernization Plan.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Himschoot", is written over a horizontal line.

Robert Himschoot
Chief Executive Officer



Solutions for the Future
Nushagak Electric & Telephone Cooperative, Inc.
557 Kenny Wren Road • P.O. Box 350 • Dillingham, AK 99576
Ph: 907-842-5251 • Fx: 907-842-2799 • www.nushtel.com

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Re: WC Docket Nos. 10-90 and 11-42, Annual 47 C.F.R. § 54.313(a)(6) and § 54.422 Certification via Form 481, Line No. 610

Dear Ms. Dortch:

Please accept this letter as certification that **Nushagak Electric & Telephone Cooperative, Inc.** will make reasonable efforts to function in emergency situations as set forth in 47 C.F.R. §54.202(a)(2) and in Alaska Administrative Code 3 AAC 53.410(a)(12).

Back-up Power

Nushagak Electric & Telephone Cooperative, Inc. has the following back-up power capabilities:

Switches – stand alone and/or host

Dillingham area	Metaswitch, gel cell battery backup, 2,090 amp hours with an estimated run time of 12 hours.
Clarks Point area	Redcom switch, sealed lead acid battery, 600 amp hours with solar panels with an estimated run time of 24 hours.
Manokotak area	Redcom switch, located in AT&T earth station facility, lead acid battery with an estimated run time of eight (8) hours.

Subscriber Carrier – DLC, AFC, OPM, etc.

Dillingham area Kanananak	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.
Dillingham area Lupin Dr.	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.
Dillingham area Wasky Rd.	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.

Dillingham area 9 Mile Lake Rd.	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.
Dillingham area Ravens View	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.
Dillingham area Aleknagik South Shore	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.
Dillingham area Aleknagik North Shore	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.
Manokotak area Manokotak Heights	Sealed lead acid battery, 600 amp hours with an estimated run time of 30 hours.

Network Interface Devices (NIDs)

Nushagak Electric & Telephone Cooperative, Inc. has 2,160 customers with metallic (copper) connections to the Central Offices and their NIDs are powered from the Central Offices.

Nushagak Electric & Telephone Cooperative, Inc. has three (3) customers with non-metallic (fiber optic) connections to the Central Offices. These Facilities are equipped with 100% backup diesel generation systems.

Ability to reroute traffic around damaged facilities:

Nushagak Electric & Telephone Cooperative, Inc. has built redundant facilities between its exchanges and/or to its connecting company/toll tandem. This redundant facility is in the form on a SONET ring (or other technology) with alternate physical facilities with AT&T and GCI for interconnection to the Public Switched Telephone Network.

Capability to manage traffic spikes resulting from emergency situations

Nushagak Electric & Telephone Cooperative, Inc. has 1,680 customers, switching capacity of 250,000 simultaneous calls, and transport capacity for 2,016 simultaneous calls. **Nushagak Electric & Telephone Cooperative, Inc.** also has 340 broadband lines to 1 ISP and takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

Sincerely,



Robert Himschoot
Chief Executive Officer



Solutions for the Future
Nushagak Electric & Telephone Cooperative, Inc.
557 Kenny Wren Road • P.O. Box 350 • Dillingham, AK 99576
Ph: 907-842-5251 • Fx: 907-842-2799 • www.nushtel.com

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Re: WC Docket No. 10-90, Annual 47 C.F.R. § 54.313(a)(9) Certification via Form 481,
Line No. 920

Dear Ms. Dortch:

Please accept this letter as certification demonstrating that Nushagak Electric & Telephone Cooperative, Inc. (NETC) has coordinated with Tribal government as set forth in 47 C.F.R. §54.313(a)(9).

NETC takes multiple actions in order to comply with the Tribal Engagement Obligations. There are six tribal entities within NETC's service area¹. NETC contacted all of the tribal administrators within NETC's service area by mailing out letters to each tribal administrator². These letters served to inform each tribal administrator of NETC's responsibility to work with all tribal offices regarding a variety of topics. The letters mailed serve to create a dialogue with tribal leaders, and to identify NETC employees who are available for any questions or concerns. In addition, two-way communication was maintained through NETC employees and Board Member who travel to tribal areas throughout the year.

As part of the dialogue and communication with tribal leaders throughout the year, NETC specifically addressed the following: (i) A needs assessment and deployment planning with a focus on Tribal community institutions anchor; (ii) Feasibility and sustainability planning; (iii) Marketing services in a culturally sensitive manner; (iv) Compliance with rights of way processes, land use permitting, facilities siting, environmental and cultural preservation review processes, and tribal business and licensing requirements.

Accordingly, NETC hereby certifies that it has satisfied its Tribal Engagement obligations pursuant to 47 C.F.R. §54.313(a)(9).

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Himschoot", is written over a horizontal line.

Robert Himschoot
Chief Executive Officer

¹ See Tribal Entity Narrative, attached as Exhibit A.

² See Tribal Administrators Letter, attached as Exhibit B.

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EXHIBIT A

Tribal Entity Narrative

Aleknagik Traditional Council

NETC has been working with the Aleknagik Traditional Council towards a master easement agreement with Aleknagik Natives Limited. The agreement was expected to be finalized in 2015 however, there was a change in leadership at Aleknagik Natives Limited and a land ownership question arose that needs to be resolved before the agreement can move forward.

The services to Aleknagik are backhauled to NETC's switch in Dillingham via fiber. Aleknagik is located 20 miles north of Dillingham and is connected via a State of Alaska road.

Curyung Tribal Council

NETC's former CEO, former Telecom Operations Manager, and Network Services Supervisor communicated with the Curyung Tribal Council regarding communications issues they have experienced and assisted in identifying the source of those problems. The issues have been resolved.

There are no schools, libraries, or anchor institutions for NETC to serve on Curyung lands with the exception of voice and broadband services provided to their offices located in Dillingham.

Portage Creek Village Council

Portage Creek is a village located on the Nushagak River. There are no schools, libraries, or other anchor institutions in the village. The village is currently occupied by one year round family and the remainder of the occupants utilize the village seasonally. Air traffic and summer boat service are the only access to this village.

Manokotak Village Council

NETC currently provides the copper cable necessary to provide voice and broadband services to the Manokotak School and Health Clinic. Additionally, NETC is in the process of constructing the fiber network necessary to provide terrestrial middle mile connectivity. Currently, the microwave system is 90% complete. The fiber network is in place and NETC is working through site access permissions to install the terminating equipment. Air traffic is the only access to this village.

Ekuk Village Council

Ekuk village is located near Clarks Point. There are no schools, libraries, health clinics, or other anchor institutions in the village. The only full time resident of the village is a watchman at the cannery located near Ekuk. Air traffic is the only access to this village.

Clarks Point Village Council

NETC provides voice services to the Clarks Point Village Council office. NETC also provides the copper facilities to link the village health clinic to the telemedicine network. The village school closed in 2012 and there is no library in Clarks Point. Air traffic is the only access to this village.

EXHIBIT B

Tribal Administrators Letter

November 30, 2015

Tribal Entity
Entity Address
Name of Recipient

RE: Request for a meeting with Tribal Entities concerning communications services.

Name of Recipient:

Nushagak Electric and Telephone Cooperative Inc. (NETC) would like to meet with your organization to discuss planning options for fulfilling tribal communications needs in your area.

If you do not have meeting facilities available NETC can provide a place for us to meet.

If you have any further questions or require additional information please do not hesitate to contact NETC. I can be contacted at 842-6367 or via email at mfavors@nushagak.coop.

Sincerely,

Michael P. Favors
Telecom Operations Manager



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557 Kenny Wren Road • P.O. Box 350 • Dillingham, AK 99576
Ph: 907-842-5251 • Fx: 907-842-2799 • www.nushtel.com

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Re: Annual 47 C.F.R. § 54.313(a)(10) Certification via Form 481, Line No. 1010

Dear Ms. Dortch:

Please accept this letter as certification that **Nushagak Electric & Telephone Cooperative, Inc.** provides fixed voice service that is priced at no more than two standard deviations above the applicable national average urban rate for voice service, as published annually by the Wireline Competition Bureau, as required in 47 C.F.R. § 54.313(a)(10). **Nushagak Electric & Telephone Cooperative, Inc.** has provided a printout from its website to document the prices charged for fixed voice service.

Attached is

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Himschoot", is written over a horizontal line.

Robert Himschoot
Chief Executive Officer



([index.html](#))

Telephone - Rates

- RESIDENTIAL SERVICE: Dillingham \$27.42/month*
- RESIDENTIAL SERVICE: Manokotak, Clarks Point , Ekuk & Portage Creek* \$31.66/month
- BUSINESS SINGLE LINE SERVICE: Dillingham \$34.22/month
- BUSINESS SINGLE LINE SERVICE: Manokotak, Clarks Point , Ekuk & Portage Creek* \$42.31/month
- BUSINESS MULTI-LINE SERVICE: Dillingham \$38.42/month*
- BUSINESS MULTI-LINE SERVICE: Manokotak, Clarks Point , Ekuk & Portage Creek* \$46.51/month

To report an outage during regular business hours, please call 907-842-5251. After hours call 907-842-5555.

* Plus tax & surcharges

Contact Us

Nushagak Electric & Telephone Cooperative, Inc.

DBA Nushagak Cooperative

557 Kenny Wren Road

Post Office Box 350

Dillingham, AK 99576

Phone: 907.842.5251 (tel:9078425251)

Toll Free: 800.478.5296 (tel:8004785296)

Fax: 907.842.2799

Visit Us on Facebook! (<https://www.facebook.com/Nushagak-Cooperative-113145282048323>)

Our Mission

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Page 33
06/21/2017

We exist to serve our members in a cooperative spirit, providing competitive, reliable and safe services at cost consistent with sound management. We will continually evaluate the needs of our members and take an active role in development of opportunities advantageous to our members.

 **Click here to pay your bill online! (pay.htm)**



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Ph: 907-842-5251 • Fx: 907-842-2799 • www.nushtel.com

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Re: WC Docket Nos. 10-90 and 11-42, Annual 47 C.F.R. § 54.422(a)(2) Certification via Form 481, Line No. 1210

Dear Ms. Dortch:

Please accept this letter as certification that **Nushagak Electric & Telephone Cooperative, Inc.** offers Lifeline services as set forth in 47 C.F.R. §54.422(a)(2). The following information describes the terms and conditions of all voice telephony service plans offered to Lifeline subscribers.

For its Wireline Lifeline service, **Nushagak Electric & Telephone Cooperative, Inc.** charges subscribers \$6.84 per month. This amount includes all federally mandated charges and access fees. Subscribers receive unlimited local minutes per month. Lifeline subscribers are free to choose their own toll usage plans through IXC's that service **Nushagak Electric & Telephone Cooperative, Inc.**

To qualify, a subscriber must fill out an application and certify that they meet the federal guidelines; copy of the application/certification is included on the following pages.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Himschoot", is written over a horizontal line.

Robert Himschoot
Chief Executive Officer

Application for Lifeline and/or Link Up Service in Alaska

Name: _____

Address (Location of Service): _____

Telephone Number: _____ Date of Application: _____

Criteria for Application

Lifeline assistance is provided to low income residential customers who meet the following criteria for assistance. The applicant must become a customer with his or her local telephone company and must reside at the location for which the telephone service is provided. This assistance applies to single line residential service only. The applicant must meet the eligibility criteria established by the FCC and RCA to qualify for such support. The qualifying customer will sign below under penalty of perjury that he/she receives benefits from one of the listed programs below. In signing, the customer also agrees to notify the telephone company if he/she ceases to participate in the qualifying program or programs. The telephone company reserves the right to verify or request verification of participation in the qualifying program or programs the customer designates.

I participate in the following program or programs:

- ___ Supplemental Security Income
- ___ Medicaid
- ___ Federal Public Housing Assistance
- ___ Food Stamps
- ___ Low-income Home Energy Assistance Program
- ___ Bureau of Indian Affairs General Assistance Program
- ___ Tribally administered Temporary Assistance for Needy Families
- ___ Head Start (only those meeting its income qualifying standard)
- ___ National School Lunch Program's free lunch program
- ___ State of Alaska Public Assistance Programs
- ___ Any other means test social service program administered by the state or federal government
- ___ _____
- ___ Please fill in qualifying program if not listed above

In order to qualify for the Lifeline/Linkup assistance program, I certify, under penalty of perjury, that I am a participant in the program or programs I have indicated above. I authorize the appropriate agency to release recipient status information requested by the telephone company for verification of my participation in the program(s) I have indicated. Persons or organizations that may be contacted include, but are not limited to, the Alaska Department of Health and Social Services Assistance, Social Security Administration, Bureau of Indian Affairs, and any other organization that administers any of the programs listed above. I agree that I will notify the telephone company immediately if I cease to participate in the qualifying program or programs.

Applicant Signature: _____ Social Security Number: _____



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Name: _____ **Lifeline Household Worksheet**
Address: _____
Telephone: _____

Lifeline is a government program that provides a monthly discount on home or mobile telephone services. Only ONE Lifeline discount is allowed per household. Members of a household are not permitted to receive Lifeline service from multiple telephone companies.

Your **household** is everyone who lives together at your address as one economic unit (including children and people who are not related to you).

The **adults** you live with are part of your **economic unit** if they contribute to and share in the income and expenses of the household. An **adult** is any person 18 years of age or older, or an emancipated minor (a person under age 18 who is legally considered to be an adult). Household **expenses** include food, health care expenses (such as medical bills) and the cost of renting or paying a mortgage on your place of residence (a house or apartment, for example) and utilities (including water, heat and electricity). **Income** includes salary, public assistance benefits, social security payments, pensions, unemployment compensation, veteran's benefits, inheritances, alimony, child support payments, worker's compensation benefits, gifts, and lottery winnings.

Spouses and domestic partners are considered to be part of the same household. Children under the age of 18 living with their parents or guardians are considered to be part of the same household as their parents or guardians. If an adult has no income, or minimal income, and lives with someone who provides financial support to that adult, both people are considered part of the same household.

You have been asked to complete this Worksheet because someone else currently receives a Lifeline-supported service at your address. This other person may or may not be a part of your household. Answer the questions below to determine whether there is more than one household residing at your address.

1. Does your spouse or domestic partner (that is, someone you are married to or in a relationship with) already receive a Lifeline-discounted phone? (*check no if you do not have a spouse or partner*) _____ **YES** _____ **NO**
 - If you checked **YES**, you may not sign up for Lifeline because someone in your household already receives Lifeline. Only ONE Lifeline discount is allowed per household.
 - If you checked **NO**, please answer question #2.
2. Other than a spouse or partner, do other adults (people over the age of 18 or emancipated minors) live with you at your address?

A. A parent _____ YES _____ NO	D. An adult roommate _____ YES _____ NO
B. An adult son or daughter _____ YES _____ NO	E. Other _____ _____ YES _____ NO
C. Another adult relative (such as a sibling, aunt, cousin, grandparent, grandchild, etc.) _____ YES _____ NO	

 - If you checked **NO** for each statement above, you do not need to answer the remaining questions. Please initial line B, below, and sign and date the worksheet.
 - If you checked **YES**, please answer question #3.
3. Do you share living expenses (bills, food, etc.) and share income (either your income, the other person's income or both incomes together) with at least one of the adults listed above in question #2? _____ **YES** _____ **NO**
 - If you checked **NO**, then your address includes **more than one household**. Please initial lines A and B below, and sign and date the worksheet.
 - If you checked **YES**, then your address includes only **one household**. You may not sign up for Lifeline because someone in your household already receives Lifeline.

CERTIFICATION

Please initial the certifications below and sign and date this worksheet. Submit this worksheet to _____ [insert company or agency name] along with your Lifeline application

- A. _____ I certify that I live at an address occupied by multiple households.
- B. _____ I understand that violation of the one-per-household requirement is against the Federal Communication Commission's rules and may result in me losing my Lifeline benefits, and potentially, prosecution by the United States government.

Signature _____ Date _____



(index.html)

Telephone - Lifeline & Link-Up Programs

For qualifying low-income members.

Pay only \$1/month for local telephone service.

LINK-UP PROGRAM

Pays for initial telephone connections.

LIFELINE PROGRAM

Pays 50% of basic monthly service, as long as subscriber pays \$1/month.

To qualify, you must:

1. Reside on Tribal Lands [*The Federal Communications Commission (FCC) Order 00-208 increased funds available for Lifeline and Link Up services to qualifying low-income individuals living on Tribal Lands (i.e. on a reservation or near a reservation). It is our understanding that the FCC adopted the Bureau of Indian Affairs (BIA's) regulations to define the geographic scope of these programs. The BIA considers all of Alaska to be within the definition of "reservation" and, as a result, the FCC order applies to all financially eligible individuals within the state.]
2. Receive assistance from one of the following programs: Medicaid, Food Stamps, Supplemental Security Income (SSI), Federal Public Housing Assistance, Bureau of Indian Affairs General Assistance, Tribally-Administered Temporary Assistance for Needy Families, Head Start Programs (only those meeting its qualifying income standards), National School Lunch Program.

Please **click here for a downloadable/printable LIFELINE Application (PDF) (PDF/Application-for-Lifeline.pdf)**.

Print, complete this application, and send it to or contact a Customer Service Representative at 842-5251 to sign up.

If you do not already have Adobe Acrobat Reader, you may obtain it by **clicking here** (<https://get.adobe.com/reader/>).

Contact Us

Nushagak Electric & Telephone Cooperative, Inc.

DBA Nushagak Cooperative

557 Kenny Wren Road

Post Office Box 350

Dillingham, AK 99576

Phone: 907.842.5251 (tel:9078425251)

Toll Free: 800.478.5296 (tel:8004785296)

Fax: 907.842.2799

Visit Us on Facebook! (<https://www.facebook.com/Nushagak-Cooperative-113145282048323>)

Our Mission

We exist to serve our members in a cooperative spirit, providing competitive, reliable and safe services at cost consistent with sound management. We will continually evaluate the needs of our members and take an active role in development of opportunities advantageous to our members.

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Page 39
06/21/2017

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Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Re: Certification via Form 481, Line No. 3010A

Dear Ms. Dortch:

In compliance with the filing requirements associated with and attached to Form 481, Nushagak Electric & Telephone Cooperative, Inc. (NETC) submits certification to the Commission that it provides high speed internet to customers and that:

- NETC takes reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10Mbps downstream/1 Mbps upstream.
- Reasonable requests for such service are met within a reasonable amount of time.
- NETC provides broadband service with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas and
- NETC continues to seek economically sound solutions to address the provisioning of required broadband speeds given the prohibitive costs of middle-mile facilities in rural Alaska. Due to the high costs associated with providing satellite connections, unlimited high-speed broadband cannot be provided to NETC's customers at a reasonable economic rate.

If there are any questions, I may be reached at 907-842-5251.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Himschoot", is written over a light blue horizontal line.

Robert Himschoot
Chief Executive Officer

Nushagak Electric and Telephone Cooperative, Inc.

Financial Statements with Supplemental
Information and RUS Letters

Years Ended December 31, 2016 and 2015



NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Financial Statements with Supplemental Information and RUS Letters

Years Ended December 31, 2016 and 2015

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	3
Statements of Operations and Patronage Capital	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Information:	
Combining Divisional Balance Sheets	16
Combining Divisional Statements of Operations and Patronage Capital	18
Combining Divisional Statements of Cash Flows	19
Independent Auditors' Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Electric Borrowers	20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nushagak Electric and Telephone Cooperative, Inc.
Dillingham, Alaska

We have audited the accompanying financial statements of Nushagak Electric and Telephone Cooperative, Inc. (a State of Alaska cooperative), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nushagak Electric and Telephone Cooperative, Inc. as of December 31, 2016 and 2015, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The divisional statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 8, 2017 on our consideration of Nushagak Electric and Telephone Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nushagak Electric and Telephone Cooperative Inc.'s internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

Salem, Oregon
April 8, 2017

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Balance Sheets**December 31, 2016 and 2015

ASSETS20162015

Current Assets:

Cash and cash equivalents

Accounts receivable net of allowance for doubtful
accounts of \$5,498 (\$0 in 2015)

Materials and supplies inventory

Fuel inventory

Prepaid expenses

Total Current Assets

Other Assets:

Other investments

Deferred charges

Total Other Assets

Property, Plant and Equipment:

In service

Under construction

Total Property, Plant and Equipment

Less accumulated depreciation

Property, Plant and Equipment, net

LIABILITIES AND EQUITIES

Current Liabilities:

Current maturities of long-term debt

Line of credit

Accounts payable

Consumer deposits

Other accrued liabilities

Total Current Liabilities

Long-Term Debt, net of current maturities

Total Liabilities

Equities:

Patronage capital

Other equities

Total Equities

Total Liabilities and Equities

See accompanying notes to financial statements.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Statements of Operations and Patronage Capital**Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Electric		
Local network service		
Network access services		
Cable, net of retransmission fees of \$278,354 (\$244,014 in 2015)		
Internet		
Miscellaneous		
Total Operating Revenues		
Operating Expenses:		
Power production		
Distribution		
Plant specific		
Plant non-specific		
Depreciation		
Customer		
Administrative and general		
Cable and internet		
Operating taxes		
Total Operating Expenses		
Operating Margin		
Other Income (Expense):		
Patronage allocations		
Interest and dividend income		
Interest expense		
Non-regulated net income		
Net Other Income		
Net Margin		
Beginning Patronage Capital		
Patronage Capital Retired		
Ending Patronage Capital		

See accompanying notes to financial statements.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Net margin		
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation		
Noncash patronage allocations		
Changes in operating assets and liabilities:		
Accounts receivable		
Materials and supplies inventory		
Fuel inventory		
Prepaid expenses		
Deferred charges		
Accounts payable		
Consumer deposits		
Other accrued liabilities		
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of plant		
Patronage dividends received		
Net Cash Used by Investing Activities		
Cash Flows from Financing Activities:		
Net payments on line of credit		
Payments on long-term debt		
Capital credit payments, net		
Net Cash Used by Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents, beginning		
Cash and Cash Equivalents, ending		
Cash Paid During the Year for Interest		

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Nushagak Electric and Telephone Cooperative, Inc. (the Cooperative) was created effective January 1, 2002 with the merger of Nushagak Electric Cooperative, Inc. and Nushagak Telephone Cooperative, Inc. The Cooperative is an Alaska cooperative corporation providing electric, telecommunications, cable television and internet services within and around the Dillingham, Alaska area.

Basis of Accounting

The Cooperative's financial statements are prepared on the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America applicable to regulated enterprises.

Interdivisional Transactions

The operations of the Cooperative are segregated into the electric division, the telephone division, and the cable division, for management and external reporting purposes. Each division has transactions with the other divisions in the normal course of conducting business. For example, the electric division pays the telephone division for telephone service. Because these amounts are not considered material to the financial statements, there have been no eliminations for interdivisional revenues and expenses except for interest on interdivision loans.

Use of Estimates

The Cooperative uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Regulation

The electric division of the Cooperative maintains its accounting records in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as modified for electric borrowers of the Rural Utilities Service (RUS). The telephone division of the Cooperative maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the Federal Communications Commission (FCC). As a result, the application of accounting principles generally accepted in the United States by the Cooperative differs in certain respects from the application by non-regulated entities. Such differences primarily concern the time at which certain items enter in the determination of net margin.

The telephone division of the Cooperative is subject to limited regulation by the FCC and the Regulatory Commission of Alaska (RCA) regarding the provision of telecommunication services. The local exchange operations are exempt from rate regulation by the RCA.

The electric division of the Cooperative must comply with applicable regulatory standards related to generation and transmission.

The Cooperative is subject to normal environmental standards imposed by federal, state, and local environmental laws and regulations. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Liabilities for such expenditures are recorded when it is probable that obligations have been incurred and the cost can be reasonably estimated.

Regulatory and legislative actions, as well as future regulations, could have a significant impact on the Cooperative's future operations and financial condition. See Note 1, National Broadband Plan and FCC Order.

Cash and Cash Equivalents

The Cooperative considers all cash and short-term investments that are readily convertible to known amounts of cash and that present an insignificant risk of change in value due to changes in interest rates or other factors, to be cash equivalents.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents, continued

The Cooperative maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per bank. The Cooperative had uninsured cash of \$3,753,423 at December 31, 2016 (\$2,881,196 at December 31, 2015). The Cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Cooperative provides an allowance for doubtful accounts that is based on a review of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after the issuance of the invoice. Receivables from other exchange carriers are typically outstanding from 30 to 60 days before payment is received. Receivables past due more than 90 days are considered delinquent. Delinquent accounts are charged to uncollectible expense when it is determined that the account will not be collected. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Other Investments

Other investments in organizations are stated at cost.

Fair Value of Financial Instruments

The Cooperative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The Cooperative estimates that the fair value of all of these non-derivative financial instruments at December 31, 2016 and 2015 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheets.

Fuel, Materials and Supplies Inventory

For the electric division, inventory of fuel, antifreeze, lube oil, and materials are recorded at the lower of weighted average cost or market. For the telephone division, materials and supplies are stated at average cost.

Property, Plant and Equipment

Property, plant, and equipment in service and under construction are stated at cost, including appropriate direct and indirect costs associated with construction. Normal maintenance and repairs are charged to operations when incurred. Renewals and betterments are capitalized. For regulated and non-regulated assets, the Cooperative provides for depreciation on a straight-line basis over the estimated useful lives of the related assets, in accordance with rates consistent with industry standards. In accordance with composite group depreciation methodology, when a portion of the Cooperative's regulated property, plant, and equipment is retired in the ordinary course of business, the gross book value is eliminated from the utility plant accounts and such costs, plus removal expenses, less salvage, are charged to accumulated depreciation and no gain or loss is recognized.

Upon retirement, sale, or other disposition of non-regulated property, plant, and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are included in operations.

Extraordinary maintenance costs incurred by the electric division of the Cooperative are initially deferred and subsequently amortized to operating expenses over periods generally ranging from 18 to 60 months. Utility rates are stabilized at levels intended to fund these maintenance costs as they are amortized.

Contributions in aid of construction for the electric division are credited to the associated cost of construction of property units.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies, continued

Property, Plant and Equipment, continued

The Cooperative follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. The Cooperative uses a weighted-average interest rate based on total long-term debt. In 2016, total interest incurred was \$152,830 (\$115,846 in 2015). No interest was capitalized in 2016 or 2015.

Revenue Recognition

The Cooperative's billing for the usage of electricity reflects metered usage through approximately the fifteenth day of the month. The Cooperative estimates and records the revenue earned for the usage from the last billing through the end of the accounting period.

The Cooperative's monthly service fees derived from basic and local telephone service, as well as for cable and internet service, are billed in advance. Advance billings are recorded as reduction of receivables and subsequently transferred into income in the period earned. Usage sensitive revenues are billed in arrears.

Network Access Revenues

Network access revenue is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Cooperative, charge the long-distance carrier for access and interconnection to local facilities. The Cooperative has elected to file access tariffs through the National Exchange Carriers Association (NECA) and the Alaska Exchange Carriers Association (AECA) for these charges. These access tariffs are subject to approval by the FCC for interstate charges and the RCA for intrastate charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Cooperative. The redistributions are made according to formulas established by the governing boards of the pools and are generally based on expenses incurred and investments maintained.

The Cooperative participates in various pooling arrangements with NECA and AECA.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months (NECA pool only) after the close of the related calendar year, are recorded in the year in which such adjustments become determinable, based upon studies prepared by outside consultants.

In addition to recoveries from the pools, the Cooperative also receives revenues from the Universal Service High Cost Loop Fund (HCL) and other support mechanisms administered by the Universal Service Administrative Company (USAC). These universal service support revenues are intended to compensate the Cooperative for the high cost of providing service in rural areas. The amount of support received from HCL is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC. These support revenues are included in the network access revenues in the accompanying financial statements.

In 2016, the Cooperative received \$543,535 (\$614,514 in 2015) from USAC High Cost Loop Fund and \$1,407,711 (\$1,387,417 in 2015) in interstate access revenues administered through the NECA Pool.

National Broadband Plan and FCC Order

In 2010, the FCC issued the National Broadband Plan which outlined a long-term plan to increase broadband penetration rates and services throughout the United States of America.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies, continued

National Broadband Plan and FCC Order, continued

In 2011, as an initial response to the plan, the FCC approved Report and Order 11-161 (the Order), that began the process of reforming the universal service and Intercarrier Compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further created the Connect America Fund (CAF) which will ultimately replace all existing high-cost support mechanisms and help facilitate ICC reforms.

The key provisions of the Order include capping the federal universal service fund (USF), placing limitations on capital and operating expenditures (subsequently eliminated in 2014 by an Order for Reconsideration issued by the FCC), establishing local rate benchmarks, capping monthly USF at \$250 per line, a 5% annual reduction of 2011 frozen switched support to be replaced by the CAF to recover costs of switching services, a 9 year transition from the previous ICC system to bill and keep, and adoption of the Access Recovery Charge (ARC) to mitigate impacts of reduced ICC revenues. Implementation began July 1, 2012.

In 2016, the FCC issued Order 16-33, which provided the option for a voluntary election by rate-of-return carriers to receive model-based support under the Alternative Connect America Cost Model (A-CAM), and Order 16-115, which adopted the Alaska Plan to address both fixed and mobile voice and broadband service in high-cost areas of the state of Alaska. Alaskan rate-of-return carriers have the option of receiving support pursuant to the Alaska Plan, electing to receive support calculated by A-CAM, or remaining on the reformed legacy rate-of-return support mechanisms. The Cooperative has elected to receive support pursuant to the Alaska Plan.

The Alaska Plan freezes support for rate-of-return carriers at 2011 levels for 10 years, beginning in 2017. Additionally, each Alaskan wireless Competitive Eligible Communications Carrier (CETC) will receive frozen support at 2014 levels for 10 years. This will provide Alaskan carriers with the support and stability to maintain, extend and upgrade fixed and mobile voice and broadband services over the next 10 years. Each rate-of-return carrier has submitted an individualized performance plan with obligations to offer voice and broadband services meeting the service obligations at specified minimum speed by 5-year and 10-year service milestones to a specified number of locations.

The Cooperative continues to monitor various effects and requirements of the Orders noted above. As of December 31, 2016, the Cooperative meets the local rate benchmark requirements of the Order and is not subject to the \$250 per line support cap. Furthermore, for the period ended December 31, 2016, the impact to the Cooperative related to the 5% annual decline in switched access revenues have not been significant.

The overall reform process will continue to take place in phases and will take several more years to implement. Furthermore, it is anticipated that the FCC will continue to issue Further Notices of Proposed Rulemaking and/or Orders for Reconsideration and continue to seek comments on various items. As a result, the ultimate outcome of these proceedings and their impact is uncertain at this time.

Excise Tax Refunds

Refunds of federal communication excise taxes resulting from the Cooperative's status as a tax exempt cooperative are recorded as a direct increase to members' patronage capital accounts.

Patronage Capital

Patronage capital consists of undistributed net margins allocated to individual members and accumulated since inception, less distributions to members. Under the bylaws of the Cooperative, the distribution of such patronage capital to members of the Cooperative is at the discretion of the Board of Directors, and may be restricted under covenants of RUS mortgage notes.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies, continued

Other Equities

Other equities consist of unclaimed distributions of patronage capital credits to members transferred to the Cooperative under the laws of the State of Alaska.

Income Taxes

The Cooperative has been granted an exemption from federal income taxes under Section 501(c)(12) of the Internal Revenue Code, except for "unrelated" business income. However, in any year for which greater than 15% of gross revenue is derived from nonmember services, the Cooperative becomes a taxable cooperative. The Cooperative was exempt from income taxes in 2016 and 2015. The Cooperative is also exempt from state income taxes as a gross revenue tax on cooperatives overrides the filing of state income tax.

In years when the Cooperative is taxable, federal income taxes payable by taxable cooperatives are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct margins allocated to patrons within 8½ months after the end of each taxable year.

The Cooperative follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Cooperative recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

Subsequent Events

The Cooperative has evaluated subsequent events through April 8, 2017, the date on which the financial statements were available to be issued.

Note 2 - Other Investments

Other investments consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
<i>Electric Division</i>		
National Rural Utilities Cooperative		
Finance Corporation (NRUCFC):		
Capital term certificates		
Patronage capital credits		
Membership		
Alaska Rural Electric Cooperative Association (ARECA)		
Insurance Exchange, assigned equity		
National Information Solutions Cooperative patronage capital credits		
Nushagak Telephone Cooperative, Inc., patronage capital credits		
Total Electric Division		
<i>Telephone Division</i>		
Alaska Rural Electric Cooperative Association (ARECA)		
Insurance Exchange, assigned equity		
Rural Telephone Finance Cooperative, patronage capital credits		
CoBank, patronage capital credits		
Nushagak Electric Cooperative, Inc., patronage capital credits		
Total Telephone Division		
Total Other Investments		

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Notes to Financial Statements**Years Ended December 31, 2016 and 2015

Note 3 - Property, Plant and Equipment

Listed below are the major classes of property, plant, and equipment in service at December 31, including related composite depreciation rates:

	<u>Depreciation Percentage</u>	<u>2016</u>	<u>2015</u>
<i>Electric Division</i>			
Land and improvements	-		
Production plant	3.0%		
Distribution plant	3.5%		
General plant	6.0-20.0%		
<i>Telephone Division</i>			
Land and improvements	-		
General plant and support	4.0-33.3%		
Central office	6.0-14.3%		
Cable and wire facilities	2.9-8.7%		
<i>Cable Division</i>			
Land and improvements	-		
Building and equipment	4.0 to 20.0%		
Head end equipment	20.0%		
Premise equipment	14.3%		
Internet equipment	12.5%		
Distribution facilities	8.0%		
Total Property, Plant and Equipment in Service			

Note 4 - Deferred Charges

Deferred charges, net of accumulated amortization, relate to the electric division and consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Deferred Charges		
Overhaul unit no. 11		
Overhaul unit no. 12		
Overhaul unit no. 13		
Overhaul unit no. 14		
Overhaul unit no. 15		
Other		
Total Deferred Charges		

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 4 - Deferred Charges, continued

Included in deferred charges are costs associated with major overhauls, studies, and inspections. Such costs are originally deferred and subsequently capitalized to resultant construction or amortized over five years if construction does not materialize.

Amortization of deferred debits is included in power production expenses on the statement of operations and patronage capital and for the year ended December 31, 2016 was \$278,567 (\$238,784 in 2015).

Note 5 - Patronage Capital

Patronage capital consisted of the following at December 31:

	2016		
	Electric Division	Telephone Division	Cable Division
	Totals		
Beginning balance			
Patronage capital retired			
Assignable net margin			
Total Patronage Capital			
Beginning balance			
Patronage capital retired			
Assignable net margin			
Total Patronage Capital			

Note 6 - Other Equities

Other equities consisted of the following at December 31:

	2016	
	Electric Division	Telephone Division
	Totals	
Patronage estate discount		
Patronage capital gain		
Donated capital		
Total Other Equities		

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Notes to Financial Statements**

Years Ended December 31, 2016 and 2015

Note 6 - Other Equities, continued

	2015		
	Electric Division	Telephone Division	Totals
Patronage estate discount			
Patronage capital gain			
Donated capital			
Total Other Equities			

Note 7 - Long-Term Debt

Long-term debt consisted of the following at December 31:

	2016	2015
<i>Electric Division</i>		
2% mortgage notes payable to the Rural Utilities Service (RUS) payable in quarterly installments of approximately \$3,437, including interest, paid in full in 2016		
5% mortgage notes payable to RUS, payable in monthly installments of \$19,572, including interest, due in various years through 2027		
4% note payable to Wells Fargo, payable in monthly installments of \$33,967, including interest, due in total in 2018		
Total Electric Division		
Less Current Portion		
Long-Term Debt, net of current maturities, Electric		
<i>Telephone Division</i>		
7.50% note payable to NRUCFC, payable in quarterly installments of \$16,487, including interest, due in 2019		
3.52% variable interest rate (3.18% in 2015) note payable to CoBank, payable in approximate monthly installments of \$1,300, including interest, due in 2019		
Total Telephone Division		
Less Current Portion		
Long-Term Debt, net of current maturities, Telephone		
Total Long-Term Debt		
Less Current Portion		
Total Long-Term Debt, net of current maturities		

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 7 - Long-Term Debt, continued

Substantially all of the Cooperative's real and personal property is pledged as collateral for the above notes.

Future maturities of long-term debt are as follows:

	Electric Division	Telephone Division	Totals
2017			
2018			
2019			
2020			
2021			
Thereafter			

At December 31, 2016 the Cooperative had two perpetual lines of credit of \$6,000,000 and \$600,000, respectively, through NRUCFC with interest payable at the bank's prime interest rate plus 1% per annum (2.90% at December 31, 2016 and 2015). At December 31, 2016 and 2015, there were no outstanding balances on the lines of credit.

At December 31, 2016, the Cooperative had a 4.0% variable rate, \$3,600,000 line of credit through Wells Fargo. During the year ended December 31, 2014, the Cooperative drew \$1,500,000 to be repaid over a term of 4 years. The remaining balance outstanding on the note at December 31, 2016 and 2015 of \$687,158 and \$1,058,550, respectively, is included in long-term debt, leaving \$2,912,842 (\$2,541,450 in 2015) available to draw on the line of credit.

As a part of the Cooperative's licensing for fuel storage, the Cooperative is required by the State of Alaska to maintain a letter of credit to cover any costs for cleanup of a potential fuel spill. At December 31, 2016, the letter of credit was provided by the NRUCFC for \$2,985,000 (\$2,755,000 for 2015), and had no outstanding balances.

At December 31, 2016 and 2015, the Cooperative had a perpetual line of credit of \$4,052,980 through CoBank with a variable interest rate of 3.19% to 3.50% in 2016 (2.94 to 3.18% in 2015). At December 31, 2016, the outstanding balance on this line of credit was \$1,320,500 (\$1,390,270 at December 31, 2015).

The terms of the mortgage agreements contain restrictions requiring the maintenance of defined amounts of patronage capital, limitations on additional debt, annual cash flow, and working capital after payment of capital credits. Management of the Cooperative believes they were in compliance with all loan covenants at December 31, 2016.

Note 8 - Pension and Health and Welfare Plans

The National Rural Electric Cooperative Association Retirement & Security Program (the NRECA RSP) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's employer identification number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

Note 8 - Pension and Health and Welfare Plans, continued

The Cooperative is a participant in the above described plan. The Cooperative's contributions to NRECA RSP in 2016 and 2015 represented less than 5 percent of the total contributions made to the NRECA RSP by all participating employers. The Cooperative made contributions to the plan of \$763,208 in 2016 and \$954,046 in 2015. There have been no significant changes that affect the comparability of 2016 and 2015 contributions.

For the NRECA RSP, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the NRECA RSP was over 80 percent funded on January 1, 2016 and over 80 percent funded on January 1, 2015 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of PPA do not apply to the NRECA RSP, funding improvement plans and surcharges are not applicable and have not been applied. Future contribution requirements are determined each year as part of the actuarial valuation of the NRECA RSP and may change as a result of NRECA RSP experience. There is no collective bargaining agreement that affects future contribution requirements.

The Cooperative participates in multi-employer plans through NRECA that provide all employees with health care and other welfare benefits during the employees' working lives. Amounts charged to benefit cost and contributed to the health and welfare plan for those benefits totaled \$694,528 and \$768,253, respectively, for the years ended December 31, 2016 and 2015.

In addition, the Cooperative also participates in a contributory, multi-employer, defined contribution savings (401k) plan (the Savings Plan) sponsored by NRECA. This program provides a tax deferral of current employee earnings to a future period. All employees meeting the Savings Plan's requirements are eligible to participate if they have completed one month of service and may contribute up to 25% of their salary. The employer does not contribute to this plan. All participants are immediately vested in their contributions.

SUPPLEMENTAL INFORMATION

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Combining Divisional Balance Sheets**December 31, 2016

	<u>Electric</u>	<u>Telephone</u>	<u>Cable</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents					
Accounts receivable,					
net of allowance for doubtful					
accounts of \$5,489					
Materials and supplies inventory					
Fuel inventory					
Prepaid expenses					
Interdivision note receivable					
Total Current Assets					
Other Assets:					
Other investments					
Deferred charges					
Total Other Assets					
Property, Plant and Equipment					
In service					
Under construction					
Total Property, Plant					
and Equipment					
Less accumulated depreciation					
Property, Plant and					
Equipment, net					

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Combining Divisional Balance Sheets, continued**December 31, 2016

	<u>Electric</u>	<u>Telephone</u>	<u>Cable</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND EQUITIES					
Current Liabilities:					
Current maturities of					
long-term debt					
Line of credit					
Accounts payable					
Consumer deposits					
Other accrued liabilities					
Interdivision note payable					
Total Current Liabilities					
Long-Term Debt,					
net of current maturities					
Total Liabilities					
Equities:					
Patronage capital					
Other equities					
Total Equities					
Total Liabilities and Equities					

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Combining Divisional Statements of Operations and Patronage Capital**Year Ended December 31, 2016

Operating Revenues:	Electric	Telephone	Cable	Eliminations	Total
Electric					
Local network service					
Network access services					
Cable, net of retransmission fees					
of \$278,354					
Internet					
Miscellaneous					
Total Operating Revenues					
Operating Expenses:					
Power production					
Distribution					
Plant specific					
Plant non-specific					
Depreciation					
Customer					
Administrative and general					
Cable and internet					
Operating taxes					
Total Operating Expenses					
Operating Margin					
Other Income (Expense):					
Patronage allocations					
Interest and dividend income					
Interest expense					
Non-regulated net income					
Net Other Income (Expense)					
Net Margin					
Beginning Patronage Capital					
Patronage Capital Retired					
Ending Patronage Capital					

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Combining Divisional Statements of Cash Flows**Year Ended December 31, 2016

	<u>Electric</u>	<u>Telephone</u>	<u>Cable</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows from Operating Activities:					
Net margin					
Adjustments to reconcile net margin					
to net cash provided by operating					
activities:					
Depreciation					
Noncash patronage allocations					
Changes in operating assets					
and liabilities:					
Accounts receivable					
Materials and supplies inventory					
Fuel inventory					
Prepaid expenses					
Deferred charges					
Accounts payable					
Consumer deposits					
Other accrued liabilities					
Net Cash Provided by					
Operating Activities					
Cash Flows from Investing Activities:					
Purchases of plant					
Interdivision note receivable					
Interdivision note payable					
Patronage dividends received					
Net Cash Used by					
Investing Activities					
Cash Flows from Financing Activities:					
Net payments on lines of credit					
Payments on long-term debt					
Capital credit payments, net					
Net Cash Used by					
Financing Activities					
Net Increase in					
Cash and Cash Equivalents					
Cash and Cash Equivalents, beginning					
Cash and Cash Equivalents, ending					
Cash Paid During the Year for Interest					

Nushagak Electric and Telephone Cooperative, Inc.

RUS Letters

Year Ended December 31, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY
REQUIREMENTS FOR ELECTRIC BORROWERS**

To the Board of Directors
Nushagak Electric and Telephone Cooperative, Inc.
Dillingham, Alaska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nushagak Electric and Telephone Cooperative, Inc. (the Cooperative), which comprise the balance sheet as of December 31, 2016, and the related statements of operations and patronage capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2017. In accordance with *Government Auditing Standards* we have also issued our report dated April 8, 2017, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, §1773.33 and clarified in the RUS policy memorandum dated February 1, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting and records to indicate that the Cooperative did not:

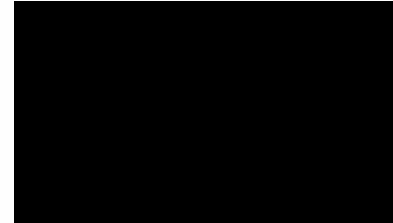
- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts.
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the telecommunication or electric system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (see RUS Bulletin 183-1, Depreciation Rates and Procedures); and
- Comply with the requirements for the detailed schedule of deferred debits.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole and the detailed schedule of deferred debits and deferred credits required by 7 CFR 1773.33(h), provided below, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deferred debits at December 31, 2016 relate to the electric division and consist of the following:

Overhaul of generator no. 12
Overhaul and repair of generator no. 13
Overhaul of generator no. 14
Other

Total deferred charges



The Cooperative had no deferred credits at December 31, 2016.

This report is intended solely for the information and use of the Board of Directors, management, and the Rural Utilities Service and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Aldrich CPAs + Advisors LLP

Salem, Oregon
April 8, 2016



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Nushagak Electric and Telephone Cooperative, Inc.
Dillingham, Alaska

We have audited the financial statements of Nushagak Electric and Telephone Cooperative, Inc. (the Cooperative) as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated April 8, 2017. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify certain matters involving internal control over financial reporting, as described below, that we consider to be a significant deficiency in internal control over financial reporting.

Accounting and Financial Reporting

During the course of the audit, we assisted the Cooperative's staff with reconciling certain activities and proposing adjustments to the general ledger. Our assistance with the reconciliations and adjustments was expected by management and the accounting staff and all of the proposed adjustments were accepted by management and posted to the general ledger. In some cases the adjustments were brought to our attention by the accounting staff while other adjustments were identified from our audit procedures. In addition, our expertise was required to draft the financial statements and supporting notes in conformity with accounting principles generally accepted in the United States of America.

Management is responsible for the controls over the selection and application of accounting principles in conformity with accounting principles generally accepted in the United States of America, and is also responsible for the controls over the period-end financial reporting process. The period-end financial reporting process includes the controls over procedures used to initiate, authorize, record, and process transactions and journal entries into the general ledger; record recurring and nonrecurring adjustments to the financial statements; and prepare the financial statements and related notes. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.

While the accounting staff of the Cooperative has the ability to perform the daily accounting functions and prepare monthly financial reports for management purposes, they have chosen to rely on the financial statement auditor to prepare the financial statements and supporting notes. Under current audit standards, the financial statement auditor cannot be considered part of the Cooperative's internal control over financial reporting, and therefore, our drafting of the financial statements and notes is considered to be a significant deficiency in the Cooperative's internal control over financial reporting.

Even though management has requested the auditors' assistance in preparing the financial statements and notes, management is still responsible for the financial information presented. In addition, management is responsible for:

- Making management decisions and performing all management functions.
- Designating an individual with suitable skill, knowledge, or experience to oversee the services provided by the auditors.
- Evaluating the adequacy and results of the services performed by the auditors.
- Accepting responsibility for the results of the services performed by the auditors.

Management Response

The Cooperative has evaluated the situation and has determined that it is cost prohibitive at this time to internally staff this level of expertise and believes the monthly financial reports to management are appropriate. The Cooperative will continue to outsource the drafting of the annual financial statements and supporting notes to external experts. Management has reviewed the draft financial statements and disclosures and has represented that they have taken responsibility for the statements including disclosures.

The Cooperative's response to the findings identified in our audit is described above. We did not audit the Cooperative's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

Salem, Oregon
April 8, 2017